Summary

This guide is an introduction to reporting farm income for taxes. This lesson can be used as part of the larger Financial Literacy curriculum developed by All Farmers, or it can be done independently. While this lesson was designed to be two hours long, it can be done in two one-hour sessions, or activities can be used independently to suit programmatic needs.

The need: At our program, refugee farmers were ill-equipped to properly report their farm income. Usually they reported it as miscellaneous income (based on their 1099). This meant that they were taxed on gross income instead of profits, leading to over-taxation. This training teaches farmers to report their net farm income and avoid unnecessary taxes.
ACKNOWLEDGMENTS: This teaching resource was developed by Hannah Spare of All Farmers in the CT River Valley of MA, in partnership with the Institute for Social and Economic Development (ISED Solutions). Refugee farmer training programs across the country provided feedback on this lesson, which is now integrated throughout the guide. From 2015 to 2017, ISED partnered with twelve refugee farmer training programs through a USDA BFRDP educational enhancement grant, to support the design and testing of new and shareable teaching resources for culturally and linguistically diverse farmers. To learn more about this project, or to access the whole list of newly developed teaching resources for refugee farmer training programs, see the New American Resource Library at https://nesfp.org/new-american-resources. For more in-depth explanations of the teaching approaches and activities used in these materials, please see the ‘Teaching Handbook: Refugee farmer training’. While these resources were designed with refugee audiences in mind, they can be adapted and used in any farmer training or incubator setting.

VARIATION: Throughout this guide, boxes (like this one) contain variations and adaptations that serve varying programs and farmers. They are suggestions and reflections from other programs based on how they made this workshop work for them.

TEACHING TIP: Throughout this guide, boxes (like this one) contain teaching tips to help you better facilitate farmer learning. Most come from other programs who have tested and reflected on using this lesson.

DEVELOPER’S NOTE: Throughout this guide, boxes (like this one) contain notes from this guide’s developer that provide insight into how a lesson is typically taught at the developer’s program.

ICONS: You will find the icons below throughout this guidebook. They are there so you are prepared for the activity and can get an idea of what it will bring at a glance.
WHAT TESTERS SAY:  
“I LOVED this resource. I haven’t felt capable of teaching this topic in the past because I didn’t understand it myself. This broke it down for me, and encouraged me to reach out to tax professionals in our area. I was lucky to connect with a woman who is a farmer and a tax professional. Having her available as a resource was also valuable - all of our farmers indicated that they’d like to work with her next year on filing their taxes. So happy to have this!” - Meredith, New Roots for Refugees, Catholic Charities of NE KS

“I loved having the envelope for putting receipts in. I also love the idea of having farmers actually put a physical receipt in their envelope. We didn’t do that because I didn’t have time to create receipts, but I think it’s a great idea and will definitely do it next time.” - Elizabeth, International Rescue Committee, Charlottesville VA

“I really like that there is a review of record keeping in the beginning. To me, the most useful part about this resource is to see how this topic can be broken down.” - Lauren, The Nashville Food Project

CORE SKILLS:

- Recordkeeping and savings for taxes core skill
- Naming taxes requirements
- Naming tax forms (Schedule F, 1040)
5  IS THIS GUIDE RIGHT FOR YOU
   • Audience and Objectives
   • Resources needed

8  RECORDKEEPING PRACTICE / ACTIVITY 1 / 10 MINUTES
   Discussion and worksheets
   • Participants will learn about and demonstrate basic recordkeeping practices.

11  FARM TAX SLIDESHOW / ACTIVITY 2 / 1 HOUR
    Powerpoint presentation
    • Participants will learn how to accurately report farm income on their federal and state tax forms.

13  SCHEDULE F PRACTICE / ACTIVITY 3 / 30 MINUTES
    Practice with worksheets
    • Participants will practice filling out a Schedule F form and transferring that information to the federal and state income tax forms.
OBJECTIVES: At the end of this module, farmers will be able to
- State two reasons why it’s beneficial to do your taxes
- Use and understand essential vocabulary needed for tax preparation
- Demonstrate basic recordkeeping skills such as saving receipts and tracking income
- Name the different tax forms, and state the general role of each
- Fill out tax forms with assistance
- Name at least one place or person where they can get tax help if needed
- State the different pieces of physical evidence needed when going to a tax preparer

WHO: Refugee farmers and growers
Tax liability should be communicated with farmers as they are enrolled in marketing opportunities, especially if the organization is giving 1099s to anyone who will be receiving payments.

LANGUAGE / LITERACY: All language levels / non- to low-literacy, with assistance
- All language levels acceptable, with interpretation support.
- Non- to low-literate speakers can understand all concepts, but will need assistance to fill out their taxes.

DEVELOPER’S NOTE: For non- to low-literate speakers, ask one of their family members or friends to attend the class with them (preferably whoever fills out their taxes for them).

FARMING EXPERIENCE: Farmers who expect to gross over $400
All farmers who intend to formally sell from their farm and expect to gross over the threshold amount (currently $400) should attend this workshop. Unnecessary for home gardeners.

DEVELOPER’S NOTE: The concepts of recordkeeping and the budget sheets are useful to our farmers, even if they are not yet ready to file their own taxes (making the PowerPoint and some other materials too advanced).
TEACHING TIP:
One reviewer noted that this resource is best for farmers who are advanced enough to start thinking about insurance, credit sources, and filing their own taxes. However, even if they are not, this lesson and corresponding tools outline recordkeeping concepts, Schedule F breakdowns, and recordkeeping forms that all farmers can engage with as they move towards more advanced tax work.

PREREQUISITES:
Skills, experience and knowledge

• Basic understanding of income, expenses, profit, and loss (see Financial Literacy 1: Budgeting and Recordkeeping module)
• Tax form types (Schedule F, 1040, state income tax forms)
• Knowledge of how sources of income and expenses are categorized on Schedule F
• Basic understanding of how to follow and fill out tax forms, and how to reference form instructions if needed
• Basic understanding of how Earned Income Tax Credit works
• Basic understanding of how transportation expenses are calculated and documented
• Knowledge of acceptable documentation of expenses and income
• Knowledge of credit sources available to farmers locally

REGION / CLIMATE:
Massachusetts / your state
The state income tax form shown in the PowerPoint and handout is for Massachusetts. To adapt, replace materials with your state’s income tax form.

PROGRAM STRUCTURE:
Aggregate community or incubator farms

SEASON:
January
It is recommended to include this as part of the full Financial Literacy curriculum, but this workshop can also stand alone.
Resources needed
Adaptable except where noted.

**TIME:** 2 hours
Adaptable: this workshop can be broken up into two one-hour sessions, or activities can be done independently if needed.

**STAFF / INTERPRETERS:** 1 Teacher and 1 Interpreter
- Adaptable: one teacher with necessary language skills.
- If possible, pre-train the interpreter. It is helpful if the interpreter him-/herself is able to teach the curriculum.

**LOCATION:** Classroom with projector
Adaptable: If you do not have a projector, use the handout as a visual and the notes from the slides (the handout closely mirrors the slideshow). You can also print out the slides (one slide per full sheet) to use as visuals.

**SUPPLIES:** Each farmer should recieve
- Schedule F handout (to bring home as a guide)
- Copies of tax forms (Schedule F, 1040, state income tax form) for practicing
- Copy of Schedule F expense tracking forms (if done in conjunction with Financial Literacy module)
- ‘Farm Taxes’ PowerPoint
- Recordkeeping forms (actual farmer records, if available, or blank forms for an introductory lesson as described below)

Additional materials and resources include
- Projector and screen or wall
- Pens / pencils
- Writing surfaces

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**FARM TAXES**

- **Schedule F and Schedule F Handout**
- **Budget, Work and Mileage Logs**

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**Farm Taxes**

*This guide is an educational tool and not professional tax advice. Your answers may be different from those below depending on your circumstances, though most farmers here answer as below.*
**TIME:** 10 minutes (minimum) plus hands-on support during the season

**OVERVIEW:**
Using the Financial Literacy 1: Budgeting & Recordkeeping module is recommended. If that is not possible, give brief instructions and tools to farmers *before the season begins* to encourage recordkeeping throughout the season.

**MATERIALS NEEDED:**
- For a basic class: one large envelope (for receipts) per farmer, with expense and income categories printed on it.
- For a more robust class: one folder per farmer, containing a receipt envelope and expense/income tracking worksheets outlined in the Financial Literacy module

**OBJECTIVES / LEARNING:**
By the end of this activity, participants can:
- Use and understand essential vocabulary needed for tax preparation.
- Demonstrate basic recordkeeping skills such as saving receipts and tracking income.

**VOCABULARY**
- Gross income
- Net income
- Expenses
- Receipts

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**STEP 1: INTRODUCTION**

Explain that the records farmers keep will be used for taxes next winter and you will do a review class later.

**TEACHING TIP:**
One reviewer said, “We reviewed the vocabulary within the lesson and this seemed helpful to participants. We also added a budgeting component to our lesson on recordkeeping.”

**VARIATION:**
One reviewer suggested adding an introduction to why we do taxes in the US, an overview of taxes, and what they are used for. See the tax lesson from New Roots for Refugees Kansas City for more ideas on this.

**STEP 2: INCOME CATEGORIES**

a. Explain what the income categories are. On the budget form, point out the icons used to represent the most common sources of farm income: wholesale, market, and direct sales (sales to friends/neighbors).
b. Most common sources of income include sales of:
- Livestock
- Produce
- Grains
- Other products you grew or raised

c. Less common sources of income: resale of livestock or other resale items.
- For example, if a farmer buys jam to sell at their market stand along with their vegetables.
- Farmers should record both their gross income (sales) of these items and what they spent when buying these other products in a separate form. Then the farmers should record the net income from these resale products in the income section of the main form.

**STEP 3: EXPENSE CATEGORIES**

a. Explain what the expense categories are, pointing out the icons used on the budget sheet.

b. Most common expense categories:
- Car and truck
- Rent or lease (land)
- Seeds and plants
- Supplies

c. Less common expenses (see Schedule F for complete list):
- Fertilizers and lime
- Rent or lease (vehicles and equipment)
- Utilities
- Veterinary services

**STEP 4: RECORDING EXPENSES AND INCOME**

Demonstrate how to write down expenses and income, indicating appropriate icons on the budget sheet.
- At a minimum, record the date and gross amount.
- Have the more advanced farmers write down the date, customer/market, what they sold, and for how much. This level of recordkeeping is good practices for farmers working on enterprise budgets.
- Have farmers practice writing down at least one expense (e.g. their annual land rent).

**TEACHING TIP:** One reviewer mentioned that the lines looked small on the recordkeeping forms. She suggested having farmers make records with their mileage and work logs, and then transfer the information onto the categories on the budget form and bring that to their tax preparer.
STEP 5: RECORDKEEPING

Explain the importance of keeping receipts and documentation of sales and purchases.

- In season: prompt farmers to keep records whenever possible. For example, when they purchase supplies or receive a check. Make sure they can find the right place to record income and expenses on the budget form, and offer help when necessary.

TEACHING TIP:
One reviewer created an activity where they wrote ‘income’ and ‘expense’ headings on the whiteboard and had farmers decide where to tape photographs of things that fell under those categories. This helped them practice categorizing different income and expenses before applying the knowledge to their recordkeeping sheets. Another way to practice this is to use separate income and expense sheets, having farmers take turns filling in different items on the two sheets. This variation could be done with the recordkeeping sheets from the Financial Literacy Core 1: Budgeting and Recordkeeping lesson.

VARIATION:
Although this guide leaves out the work log introduced in the Financial Literacy 1: Budgeting and Recordkeeping lesson, it can be introduced in a simpler form once farmers are more comfortable with the other recordkeeping pieces.
TIME: Approximately 1 hour

OVERVIEW:
In this lesson, you will go through the Farm Tax PowerPoint with farmers to show them step-by-step how to accurately report their farm income, and how to use this information on federal and state income tax forms.

MATERIALS NEEDED:
- Projector and Screen; laptop or computer with the Farm Tax PowerPoint (Adaptable: print out the slides, or have farmers refer to the handout)
- Copies of Schedule F & Schedule F handout

OBJECTIVES / LEARNING:
By the end of this activity, participants can:
- State two reasons why it’s beneficial to do their taxes.
- Name the different tax forms, and state the general role of each.
- Name at least one place or person where they can get tax help if needed.

VOCABULARY
Federal taxes  State taxes
Schedule F  Form 1040

STEP 1: INSTRUCTIONAL PREPARATION
Review the slide notes ahead of time and try to anticipate and answer any questions you expect to arise during the lesson.

STEP 2: SCHEDULE F
a. Hand out copies of Schedule F and the Schedule F handout at the beginning of class. Let farmers know that they can follow along on the handout as you go through the lesson.

b. If you plan on incorporating practice time (see Activity 3), let farmers know that these practice exercises are best done during the slideshow and are described below. Make sure to take a break (suggested between Schedule F and going over the federal and state taxes) if farmers are losing focus.
STEP 3: POWERPOINT

a. Go through the PowerPoint. If you are not including a practice session (detailed in Activity 3), ask farmers to locate on their paper Schedule F where different income and expenses are to be reported. Answer any questions they have.

b. Remind farmers that they will need three copies of the Schedule F form in the end - one to submit with their federal taxes, one to submit with their state taxes, and one to keep for their records.

STEP 4: LOCAL TAX ASSISTANCE

Provide a list of local businesses, tax preparers or volunteers who farmers can ask for help in preparing their taxes. (Optional: include this information in your PowerPoint or on another handout that farmers can take home with them.)

STEP 5: OPTIONAL DISCUSSION

Talk briefly about loan options available to farmers locally. Mention any local organizations or federal programs that provide loans to start-ups, refugees/immigrants, or beginning farmers. You may also schedule a separate Loans & Credit session with farmers.

VARIATION:

One tester invited a local farmer who is also a tax professional to attend the lesson. She answered farmers’ questions, explained things in greater detail, and provided valuable context for the lesson.
Schedule F Practice

**TIME:** Approximately 30 minutes

**OVERVIEW:**
Farmers will practice filling out a Schedule F form and transferring that information to the appropriate boxes on federal and state income tax forms. This activity is best combined with the Farm Tax Slideshow in Activity 2.

**MATERIALS NEEDED:**
- Schedule F forms (one per farmer)
- 1040 and state income tax forms (one per farmer)
- Schedule F handout (one per farmer)
- Schedule F instructions (a handful for the group to share)
- Pens/pencils
- Writing surfaces
- Farmer financial records OR mock farmer financial records
- Calculators (preferred, but optional)

**OBJECTIVES / LEARNING:**
By the end of this activity, participants can:
- State the different pieces of physical evidence needed when going to a tax preparer.
- Fill out tax forms with assistance.

**VOCABULARY**
- Profit
- Loss
- Subsidy
- Crop insurance
- *Mortgage payment interest
- *Mortgage principal payment

**STEP 1: INTRODUCTION**

a. Remind farmers that you are not a professional tax preparer, and this exercise is for practice only.

b. If a farmer does not have farm records with them, give them mock farm financial records.

**DEVELOPER’S NOTE:**
*Vocabulary about mortgage payment interest and mortgage total or principal payments is only relevant for more advanced farmers, or for those farmers with a mortgage.

**STEP 2: SCHEDULE F**

Begin by handing out Schedule F and the Schedule F handout. Walk farmers through actually filling out the form.

a. **Schedule F:** Ask farmers to find the different boxes on their paper form as you go through them, and practice writing in the information. (See Step 2a in materials guide, below.)
b. This is for simple farm income only (no resale items). Ask farmers to find their income sources on the budget forms again using the icons. Ask farmers to find the total amount of income they earned, then locate the appropriate line on their Schedule F and write in the total. (See Step 2b in materials guide, below.)

c. This is for simple farm income only (no resale items). Ask farmers to find their expenses on the budget forms again using the icons, one-by-one. Have farmers find the appropriate line on the Schedule F and write in the total for each expense, and then total all of their expenses and enter them in the appropriate line. (See Step 2c in materials guide, below.)

d. Remind farmers how to calculate their NET INCOME (profit or loss). Show them where to enter their net income (profit or loss) on Schedule F and ask farmers to practice. The last two lines in this section should be answered as shown (see Step 2d in materials guide, below), unless a farmer receives subsidies and/or crop insurance (both highly unlikely if this class is useful to a farmer).
STEP 3: FEDERAL AND STATE TAX FORMS

Help farmers find the appropriate places on the federal and state income tax forms to enter their farm income (or loss) and practice entering it.

a. **Ask farmers to find their 1040 form.** (See Step 3a in materials guide, below.) Explain that the only part you will cover in this lesson is where to report their farm income. The rest of the form they will need to complete on their own or however they have managed in the past. Ask farmers to find the line on their Form 1040 and copy their NET INCOME from Schedule F into it.

b. **Ask farmers to find their state tax form.** (See Step 3b in materials guide, below.) Explain that the only part you will cover in this lesson is where to report their farm income. The rest of the form they will need to complete on their own or however they have managed in the past. Ask farmers to find the line on their state tax form and copy their NET INCOME from Schedule F into it.

STEP 4: REMINDER - THREE FORMS

Remind farmers that they will need three copies of the Schedule F in the end -- one to submit with their federal taxes, one to submit with their state taxes, and one form to keep for their records.

STEP 5: GROUP DISCUSSION

Ask who thinks they fully understand the lesson. Divide into groups with at least one knowledgeable farmer per group. In their groups, allow participants to ask and answer questions from their peers, being present to help when needed.